
By: **Delegate James (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 11, 2004

Assigned to: Appropriations

Committee Report: Favorable

House action: Adopted

Read second time: March 10, 2004

CHAPTER _____

1 AN ACT concerning

2 **State Retirement and Pension System - Administrative and Operational**
3 **Expenses - Allocation of Cost**

4 FOR the purpose of altering the means for allocating the cost of certain
5 administrative and operational expenses of the State Retirement and Pension
6 System; and generally relating to the allocation of cost for administrative and
7 operational expenses of the State Retirement and Pension System.

8 BY repealing and reenacting, with amendments,
9 Article - State Personnel and Pensions
10 Section 21-315
11 Annotated Code of Maryland
12 (1997 Replacement Volume and 2003 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
14 MARYLAND, That the Laws of Maryland read as follows:

15 **Article - State Personnel and Pensions**

16 21-315.

17 (a) The Board of Trustees shall credit to the expense fund of each State system
18 its pro rata share of:

19 (1) the amount provided in the annual State budget to pay the
20 administrative and operational expenses of the Board of Trustees and the State
21 Retirement Agency;

1 (2) the amounts authorized by the Board of Trustees under this section
2 for investment management services; and

3 (3) the amount authorized by the Board of Trustees to implement a
4 closing agreement with the Internal Revenue Service regarding former members of
5 the Employees' Retirement System or the Teachers' Retirement System who elected to
6 become members of or participate in those State systems under former Article 73B, §§
7 2-206 and 3-206 of the Code.

8 (b) The Board of Trustees shall pay from the expense fund of each State
9 system its pro rata share of:

10 (1) the administrative and operational expenses of the Board of Trustees
11 and the State Retirement Agency, in accordance with the annual State budget;

12 (2) the amounts as authorized by the Board of Trustees necessary for
13 investment management services; and

14 (3) the amounts as authorized by the Board of Trustees necessary to
15 implement a closing agreement with the Internal Revenue Service regarding former
16 members of the Employees' Retirement System or the Teachers' Retirement System
17 who elected to become members of or participate in those State systems under former
18 Article 73B, §§ 2-206 and 3-206 of the Code.

19 (c) Each year the Board of Trustees shall estimate the amount, not exceeding
20 0.22% of the payroll of members, necessary for the administrative and operational
21 expenses of the Board of Trustees and the State Retirement Agency.

22 (d) (1) Each quarter of the fiscal year the Board of Trustees shall estimate:

23 (i) one-fourth of an amount, not exceeding 1.2% of the market
24 value as of the last day of the preceding quarter of assets externally invested in real
25 estate or alternative investments, necessary for external real estate or alternative
26 investment management services; and

27 (ii) one-fourth of an amount, not exceeding 0.3% of the market
28 value as of the last day of the preceding quarter of invested assets that are externally
29 managed exclusive of assets invested in real estate or alternative investments,
30 necessary to procure and retain investment management services other than external
31 real estate or alternative investment management services.

32 (2) In addition to the amount estimated in paragraph (1)(i) of this
33 subsection, any previously estimated amount that has not been paid to an external
34 real estate or alternative investment management service by the last day of each
35 quarter shall be carried over into the next quarter and added to the new estimate.

36 (e) (1) THE AMOUNTS ESTIMATED UNDER SUBSECTION (C) OF THIS
37 SECTION SHALL BE PAID INTO THE EXPENSE FUNDS OF THE SEVERAL SYSTEMS
38 DURING THE ENSUING YEAR ON A PRO RATA BASIS ACCORDING TO THE TOTAL
39 MEMBERSHIP OF EACH SYSTEM.

1 (2) The amounts estimated under [subsections (c) and (d)] SUBSECTION
2 (D) of this section shall be paid into the expense funds of the several systems during
3 the ensuing year on a pro rata basis according to the total assets held by each system.

4 (f) The Board of Trustees may combine the expense funds of the several
5 systems for budgetary and administrative efficiency.

6 (g) On or before December 31 of each year, the Board of Trustees shall report
7 to the General Assembly the actual amount spent for investment management
8 services during the preceding fiscal year.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 July 1, 2004.